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No. 88-2102

In The

Supreme Court of the United States

October Term, 1988

JAMES STEWART, PATRICIA HITCHCOCK O'CONNELL and SAMUEL TAYLOR both as co-trustees of the Second Residuary Trust of the Last Will of ALFRED HITCHCOCK, MCA INC., and UNIVERSAL FILM EXCHANGES, INC.

Petitioners,

vs.

SHELDON ABEND, dba AUTHORS RESEARCH COMPANY,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

PETITIONERS' REPLY BRIEF

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PETITIONERS' REPLY BRIEF

Petitioners JAMES STEWART, PATRICIA HITCHCOCK O'CONNELL and SAMUEL TAYLOR both as co-trustees of the Second Residuary Trust of the Last Will of ALFRED HITCHCOCK, MCA INC., and UNIVERSAL FILM EXCHANGES, INC., respectfully submit this Reply Brief to the Brief in Opposition by respondent Sheldon Abend to the petition for writ of certiorari to the United States Court of Appeals for the Ninth Circuit.

I. AN IRRECONCILABLE CONFLICT EXISTS BETWEEN *ABEND* AND *ROHAUER*

A. Abend and Rohauer are Not Factually Distinguishable.

Respondent's attempt to distinguish *Abend v. MCA, Inc.*, 863 F.2d 1465 (9th Cir. 1988) (*"Abend"*) and *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484 (2d Cir.), *cert. denied*, 431 U.S. 939 (1977) (*"Rohauer"*) on their facts is unavailing. *Compare* Petition 13-14 *with* Resp. Br. 21. *Rohauer* held that continued use of the existing derivative work (as distinguished from creation of a new work) was no infringement; it did *not* base its holding on the frequency or success of the continued use or limit its application to situations where the existing derivative work would not compete with new works authorized by the statutory successor.[1] Even the *Abend* majority focused its attack on *Rohauer*'s *legal* analysis.

B. The Second Circuit is Not Likely to Reverse or Further Limit Rohauer.

The *Rohauer* rule is already limited to a specific fact pattern, *i.e.*, where the owner of the derivative work received an assignment of the renewal term from the author of a prior work, but the death of the author of the prior work threatens to frustrate the right to continue use of the derivative work.[2] It is not likely that the Second Circuit will retreat from the *Rohauer* decision.[3] *Rohauer*

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[1] Nor did the 1976 Congress think any such limitation appropriate to the derivative work exception to the new termination right in 17 U.S.C. §§ 203 and 304.

[2] This is the precise fact pattern in *Abend*.

[3] The only Second Circuit decision to consider *Rohauer*'s viability confirmed the propriety of its holding in the factual context described above. *Filmvideo Releasing Corp. v. Hastings*, 668 F.2d 91, 93 (2d Cir. 1981) (only assuming *arguendo* that *Rohauer* was a "minor" "aberration" from established principles – if at all).

was a unanimous decision[4] written by one of that circuit's most respected judges. 1 M. and D. Nimmer, *Nimmer On Copyright* (*"Nimmer"*) § 3.07(A) at 3-31 (1989) ("Judge Friendly [was] surely one of the nation's outstanding copyright judges").

The major thrust of respondent's Opposition – that the "force or validity" clause of section 7 of the 1909 Act, as reenacted by section 103(b) of the 1976 Act, undermines the *Rohauer* rule and will likely lead to its reversal – is incorrect. Resp. Br. 9 n.9, 10 & n.10, 16, 17, 20, 23-24 & n.27, 28. First, section 103(b) was intended to "sharpen" but not change the essential meaning of section 7. Note 21, *infra*. Second, the *Abend* majority expressly chose not to challenge *Rohauer*'s interpretation of section 7's force or validity clause. App. at 20 n.8. Third, respondent's section 103(b) argument challenges only the "limited new property" rationale of *Rohauer; Rohauer* and the *Abend* dissent also rely on an interpretation of section 24 of the 1909 Act, as reenacted in section 304(a) of the 1976 Act. App. at 45; Petition at 14-27; Amicus Br. at 12-17.

None of the decisions cited by respondent, Resp. Br. at 23-24, considered or bear on the issue in *Abend* and *Rohauer*. Nor is there a broad consensus that the *Rohauer* rule is flawed. Resp.Br. 24. The *Rohauer* rule was foreseen in a 1964 article in the nation's leading copyright journal[5], and was applauded when decided.[6] Moreover, even after

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[4] In contrast, *Abend* was a split decision whose deciding vote was cast by a district court judge.

[5] Engel, "Importation and Protection of Works of American Authors Manufactured Abroad Via the U.C.C. Exemption from Formalities: How Now Sacred Cow?", 12 *Bull. Copyright Soc'y*, 83, 119 n.126 (1964-65) (disputing Barbara Ringer's view), quoted in *Rohauer*, 551 F.2d at 473.

[6] *E.g.*, Colby, "Rohauer Revisited 'Rear Window', Copyright Revisions, Renewals, Terminations, Derivative Works and Fair Use," 13 *Pepperdine L.Rev.* 569, 570-71 (1986); Ellison, "The

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Abend, a leading copyright commentator has opined that *Rohauer*, not *Abend*, is the correct result. Boorstyn, *Copyright L.J.* 14 (Feb. 1989).

II. THE *ABEND* RULE WILL CAUSE A WAVE OF LITIGATION

Respondent blithely accepts that the *Abend* rule will encourage a multiplicity of actions and forum shopping. Respondent argues that whenever *Abend* causes an impasse, a derivative work copyright owner need only "file" one or more pre-distribution declaratory relief actions to establish (1) the ability to continue distribution, and (2) the portion of profits to be paid under *Abend*.[7] Resp. Br. 14-15. But, nowhere else does the Copyright Act require litigation as a condition to exercise one's copyright.

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Copyright Exception for Derivative Works and the Scope of Utilization," 56 *Ind. L.J.* 1, 21-27 (1980); Jaszi, "When Works Collide: Derivative Motion Pictures, Underlying Rights, and the Public Interest," 28 *UCLA L. Rev.* 715, 758-761 (1981); Nevins, "RX For Copyright Death," 1977 *Wash. U.L.Q.* 601, 615.

[7] Of course, mere "filing" would not accomplish anything; at least three to five years of discovery, motions, appeals and certiorari petitions would be required to "clear" the work – while the copyright term would be expiring. Respondent's suggestion also assumes (1) that the derivative work would fall within *Abend*'s "classic film" exception to injunctive relief, and (2) that a district court would or could prospectively decide what portion of future profits would be attributable to use of that portion of the prior work used in the derivative work – a determination that is often dependent upon the public's reaction to the work. 3 *Nimmer* § 14.03[c] at 14-30 n.30. Respondent's proposed lawsuit "solution" must be multiplied by the number of affected prior works used in the derivative work. See Amicus Br., at 3 n.5, 8.

III. THE *ABEND* DECISION WAS NOT DICTATED BY THE 1909 ACT

While the 1909 Congress addressed the application of the renewal term where an author or author's statutory successor is pitted against a mere assignee of rights (*i.e.*, author v. user), Congress did not state the result where an author's statutory successor is pitted against a party who had created its own copyrightable derivative work (*i.e.*, author v. user/author). The pre-1951 authorities cited by respondent, Resp. Br. at 3-5 n.3, dealt only with the conflict between a statutory successor and an assignee/user[8]. There was no real debate about the result where competing copyrights were involved until after *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469 (2d Cir.), *cert. denied*, 342 U.S. 849 (1951) ("*Ricordi*").[9] *Ricordi* held only that where the owner of a derivative work had been granted the first term, but not the renewal term, of a prior work, he could not make *a new work* during the renewal term; however, commentators speculated on whether ("broad interpretation")[10] or not ("narrow interpretation") the *Ricordi dictum* would have barred Ricordi from

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[8] The cryptic statement in Frolich & Schwartz, *The Law of Motion Pictures*, 549 (1918), relied upon in Resp. Br. 4-5, dealt only with a hypothetical conflict between an author's successor and a *future user*. The other book relied upon by respondent, R. De Wolf, *An Outline of Copyright Law*, 128-129 (1925) only tentatively speculated ("It is conceived that . . . ") about the result claimed by respondent; De Wolf relied on *White-Smith Music Publishing Co. v. Goff*, 187 Fed. 247 (1st Cir. 1911) which says not a word about the issue in *Abend* and *Rohauer*. *See* Petition, at 23-24.

[9] *See Mills Music, Inc. v. Snyder*, 469 U.S. 153, 176-77 & n. 45, 183 & n.7 (1985), citing *G. Ricordi & Co. v. Paramount Pictures, Inc.*, 189 F.2d 469 (2d Cir.), *cert. denied*, 342 U.S. 849 (1951).

[10] The future Register, Barbara Ringer, was tentative about her conclusion ("It would seem") in Copyright Study No. 31, at

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making *continued use of the existing derivative work* if it had been granted a renewal term that had been defeated by the author's death. *See* citations at Resp. Br. 5-6. Four Justices of this Court thought *Rohauer*[11] finally decided that *Ricordi* should properly be read *narrowly*. *Mills Music, Inc., supra,* 469 U.S. 153 at 183 n.7 (1985).

Thus, there is no evidence that petitioners[12], or the motion picture industry, "accepted the risk" since 1918, or at any time, that a derivative work copyright would be short-lived. *Compare* Amicus Br. 6-9 *with* Resp.Br. 5-6.[13]

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169-170 & n.492 (1960). *Fitch v. Schubert*, 20 F.Supp. 314 (S.D.N.Y. 1937), also relied upon by Ms. Ringer, was distinguished in *Rohauer*, 551 F.2d at 493 n.10. She acknowledged "that there is room for more than one point of view on the rights in a 'new version' as against renewal rights in the basic work" in a 1961 letter to one critic. Colby, "Rohauer Revisited 'Rear Window', Copyright Revisions, Renewals, Terminations, Derivative Works and Fair Use," 13 *Pepperdine L.Rev.*, 569, 593 (1986). Respondent's zeal has misled him to refer twice to Seymour Bricker, an author of the 1955 law review article that relied on *Ricordi*, as "petitioner MCA, Inc.'s own in house counsel". Resp.Br. 5-6 & n.4. MCA Inc. did *not* own a motion picture studio until the early 1960s and it never employed Mr. Bricker.

[11] Even Before *Rohauer*, some commentators opined that derivative copyright owners could continue to distribute their works despite *Ricordi*. See, note 5 *supra*.

[12] Since petitioner Stewart and Alfred Hitchcock created and copyrighted the Rear Window film five years *before* this Court reached its 5-4 decision in *Miller Music Corp. v. Charles N. Daniels, Inc.*, 362 U.S. 373 (1960) (relied upon by the *Abend* majority) and since petitioners re-released the film in 1982 in specific reliance upon the 1977 *Rohauer* decision, it is unclear what *known risk* respondent thinks petitioners were taking. Resp.Br. 6, 15 n.17, 25-26.

[13] The renewal provisions of the 1909 Act were "so complex and poorly drawn that, under the court decisions

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IV. THE COPYRIGHT ACT OF 1976 WAS NOT INTENDED TO AND DID NOT SETTLE THE ISSUE IN THIS CASE

A. Congress Incorporated Existing Ambiguities Into the Continued Renewal Provisions of the 1976 Act.

Respondent grossly misreads the legislative history of the 1976 Act to argue that Congress considered and adopted the *broad* interpretation of *Ricordi* for the continued renewals under 17 U.S.C. § 304. Resp. Br. 9. From the outset of the revision efforts, the Copyright Register[14] was committed to modifying the decision in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943)[15] so that mere assignee/users could not prospectively tie up an author's entire copyright term. The Register first

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construing them, they have become extremely burdensome and in some cases self-defeating." Supplementary Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law: 1965 Revision Bill, 89th Cong., 1st Sess. Copyright Law Revision, Part 6 (H. Judiciary Comm. Print 1965), at 71 (*"Register's 1965 Supplementary Report"*). In such an environment, it made sense for movie companies to try to buy protective licenses from potential successors (usually speculators) where the cost was not prohibitive, but that does not amount to an industry practice with the force of law. *Rohauer*, 551 F.2d at 493.

[14] The major work in developing sections 203 and 304 was begun, conducted and *completed* during the period 1955 to 1965 under the auspices of the Register of Copyright. *Mills Music*, 469 U.S. at 158-161; Abrams, "Who's Sorry Now? Termination Rights and the Derivative Works Exception", 62 *U.Detroit L.Rev.*, 181, 205-222 (1985).

[15] Some feel that the "second chance" goal of the two-term copyright system was thwarted by this Court's decision in *Fred Fisher Music*, affirming the right of authors to assign away their renewal term expectancy. See *Mills Music*, 469 U.S. 185-186.

proposed an automatic reversion after a period of years.[16] This reversion proposal developed into the present statutory termination right[17] which right was not applied to the first 56 years of *existing* copyrights, just the additional 19 years extension tacked on by Congress under the 1976 Act. 17 U.S.C. § 304(c) (3). The Register always acknowledged that such new termination right must not upset the expectations of persons that had paid considerable sums for renewal rights *in existing copyrights*.[18] Although the Register knew that the law concerning renewal was ambiguous; the Register thought it better to *continue the ambiguity* of the renewal system for *existing* copyrights than to upset existing contractual arrangements.[19] *Ricordi* was never discussed or adopted.[20]

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[16] Report of the Register of Copyrights on the General Revision of the U.S. Copyright Law, 87th Cong. 1st Sess. Copyright Law Revision (H. Judiciary Comm. Print 1961) (*"Register's 1961 Report"*), at 92-94.

[17] *Register's 1965 Supplementary Report*, at 94-95; H.R.Rep. 94-1476, *supra*, at 139; 17 U.S.C. §§ 203 & 304.

[18] See *Register's 1961 Report*, at 57; *Register's 1965 Supplementary Report*, at 93-96; see also, H.R.Rep. 94-1476, *supra*, at 139.

[19] "We believe it would be unjust to destroy [specific renewal expectancies already bargained for and sold in existing works], whether transferred or not, and section 304(a) therefore follows the *Report's* recommendation that the present renewal provision be preserved for these works . . . although *this means perpetuating the complexities, uncertainties, and ambiguities of the renewal section* for another 28 years." *Register's 1965 Supplementary Report*, at 94 (emphasis added).

[20] Thus, respondent is wrong to read the legislative history to mean that the Register, Congress or the movie industry settled anything regarding the existing or continued renewal system. Resp.Br., at 8-9 nn.7-8. Respondent omits from the movie industry's spokesman's quotation, Resp. Br., at 8-9, his inquiry "whether consideration might not be given to improving this very *ambiguous* and unsatisfactory renewal system." Copyright L. Rev., pt. 5, at 307 (emphasis added).

B. Section 103(b) Has No Bearing on This Issue.

Respondent misunderstands the purpose of the "force or validity" clause, either as reflected in old section 7 or new section 103(b). Resp. Br., at 9-10 nn.9-10, 17, 20. Section's 7 "force or validity" clause was merely intended to prevent two anticipated evils: that a copyright owner might try to obtain a perpetual copyright by making consecutive derivative works, or, that, by inadvertently failing to protect a new work, a derivative work owner might put the prior work into the public domain. *Rohauer*, 551 F.2d at 489-90; Petition, at 15 n.18; Amicus Br., at 14-15 n.21, 23-24, 28. New section 103(b) was not intended to change this focus.[21] In a *Rohauer* situation, the derivative work owner is neither seeking to extend the duration of protection for the old material nor threatening to put such material in the public domain. Sections 7 and 103 are irrelevant.

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[21] *Register's 1965 Supplementary Report* at 6: "Section 103 . . . attempts to sharpen and clarify the language of section 7 of the present law in describing the relationship between protection for 'old' and 'new' material in a work. . . . In [cases of compilations or derivative works] the author of the 'new version' secures protection only for the material he himself has added, without affecting the copyright or public domain status of the pre-existing material." *See also* H.R. Rep. 94-1476, at 57: "Section 103(b) is also intended to define, more sharply and clearly than does section 7 of the present law, the important interrelationship and correlation between protection of pre-existing and of 'new' material in a particular work."

V. CONCLUSION

Petitioners' request for review should be granted.

Dated: September 1, 1989

Respectfully submitted,

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